



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 23, 2004

S. 2550

Water Infrastructure Financing Act

As ordered reported by the Senate Committee on Environment and Public Works on June 17, 2004, and revised by the Committee staff on August 18, 2004

SUMMARY

CBO estimates that implementing this legislation would cost about \$20 billion over the next five years, assuming the appropriation of the authorized amounts. The funds would be used by the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs. The Joint Committee on Taxation (JCT) estimates that enacting S. 2550 would reduce revenues by \$222 million over the 2005-2009 period and by \$1.14 billion over the next 10 years. Enacting the bill would not affect direct spending.

S. 2550 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2550 is shown in Table 1. The costs of this legislation fall within budget function 300 (natural resources and environment).

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 2550 will be enacted in the fall of 2004, that the full amounts authorized will be appropriated for each year, and that outlays will follow the historical pattern of spending for EPA programs. Components of the estimated costs are described below.

**TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 2550,
THE WATER INFRASTRUCTURE FINANCING ACT**

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN REVENUES						
Estimated Revenues ^a	0	-1	-7	-26	-64	-124
SPENDING SUBJECT TO APPROPRIATION						
EPA's Spending for Water Infrastructure and Grants Under Current Law						
Authorization Level ^b	2,214	35	0	0	0	0
Estimated Outlays	2,172	1,908	1,648	1,050	363	16
Proposed Changes						
Authorization Level	0	6,524	6,943	7,342	9,217	12,677
Estimated Outlays	0	1,141	2,366	4,127	5,914	6,871
EPA's Spending for Water Infrastructure and Grants Under S. 2550						
Authorization Level ^b	2,214	6,559	6,943	7,342	9,217	12,677
Estimated Outlays	2,172	3,049	4,014	5,177	6,277	6,887

a. Estimate provided by JCT.

b. The 2004 level is the amount appropriated for that year to EPA for the following programs: clean water state revolving fund, safe drinking water state revolving fund, the national estuary program, and environmental finance centers. The 2005 level includes the amount authorized under current law for the national estuary program.

Revenues

This bill would increase the funds available under the clean water state revolving fund (SRF) and the safe drinking water SRF, which could result in some states leveraging their funds by issuing additional tax-exempt bonds. The JCT estimates that the consequent reductions in revenue would total \$222 million over the 2005-2009 period and \$1.14 billion over the next 10 years.

Spending Subject to Appropriation

S. 2550 would authorize appropriations totaling about \$43 billion over the next five years for EPA's water infrastructure and grant programs (see Table 2).

TABLE 2. SPECIFIED AUTHORIZATIONS IN S. 2550

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
Clean Water SRF Grants	3,200	3,200	3,600	4,000	6,000
Safe Drinking Water SRF Grants	1,500	2,000	2,000	3,500	6,000
Small System Revolving Fund	25	25	25	25	25
Wet Weather Grants	250	250	250	250	250
Alternative Water Source Projects	25	25	25	0	0
Grants for Lead Removal in Schools and in the District of Columbia	60	40	40	40	0
Environmental Finance Centers	2	2	2	2	2
Technical Assistance for Nonprofits	25	25	25	25	25
Small Public Water Assistance Grants	1,200	1,200	1,200	1,200	200
Research and Demonstration Grant Programs	40	40	40	40	40
Sewage Control Technology Grant Program	100	100	100	100	100
Southeast Colorado Safe Drinking Water Grant	85	0	0	0	0
EPA Rate Study	1	1	0	0	0
National Estuary Program	0	35	35	35	35
Special Water Resources Study	9	0	0	0	0
National Academy of Sciences Study	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Authorization Level	6,524	6,943	7,342	9,217	12,677

NOTE: SRF = state revolving fund.

The bill would authorize the appropriation of \$35 billion over the 2005-2009 period for EPA to provide capitalization grants for the SRF program (\$20 billion for the clean water SRF program and \$15 billion for the safe drinking water SRF program). States would use such grants along with their own funds to make low-interest loans to communities and grants to

Indian tribes to construct wastewater treatment facilities and to fund other projects that would improve the quality of drinking water. This bill would make several revisions to those grant programs, including expanding the types of projects eligible for assistance, changing the formulas used to allocate grant money among the states, and extending the repayment terms for loans made by states.

This legislation also would authorize the appropriation of \$1.25 billion over the 2005-2009 period for EPA to make grants to states to remedy sewage overflows (that is, the discharge of untreated wastewater) and stormwater runoff (that is, water from rain or snow that doesn't infiltrate the ground). S. 2550 also would authorize the appropriation of \$5 billion over the same period for EPA to make grants to small public water systems to address the cost of complying with drinking water regulations. In addition, the bill would authorize about \$1.5 billion over the next five years for various other purposes, including establishing a small system revolving fund, several grant programs aimed at promoting innovations in technology and alternative approaches to water quality management, a grant program to address the removal of lead from schools and in the District of Columbia, a grant program for Southeast Colorado to support the construction of a water transmission line, and an EPA study of the rate structure of public water systems and treatment works.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2550 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, and tribal governments by reauthorizing and expanding grants to administer the revolving funds for the Clean Water and Safe Drinking Water programs. In addition, it would provide specific financial assistance to rural communities, school systems (through the states), and the District of Columbia.

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